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BEFORE THE ARIZONA CORPORATION COMMISSION

JIM IRVIN
Commissioner - Chairman
TONY WEST
Commissioner
CARL J. KUNASEK
Commissioner

Arizona Corporation Commission

DOCKETED

JAN 29 1999

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IN THE MATTER OF THE APPLICATION OF)
SOUTHWEST GAS CORPORATION - FILING)
FOR APPROVAL OF A SPECIAL GAS)
PROCUREMENT AGREEMENT WITH)
RAYTHEON MISSILE SYSTEMS COMPANY.)

DOCKET NO. G-01551A-98-0734

DECISION NO. 61377

ORDER

Open Meeting
January 27 and 28, 1999
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Southwest Gas Corporation (Southwest) is engaged in providing natural gas within portions of Arizona, pursuant to authority granted by the Arizona Corporation Commission.
 2. On December 18, 1998, Southwest Gas Corporation (Southwest) filed for Commission approval of a Special Gas Procurement Agreement (procurement agreement) under Special Clause Three of Schedule G-30 (Optional Gas Service) with Raytheon Missile Systems Company (Raytheon).
 3. On January 6, 1999, the Commission suspended this filing for 60 days to allow Staff to get further information from Southwest for Staff's analysis of the proposed procurement agreement.
 4. Service under Schedule G-30 is available to customers who can establish that bypass of Southwest is economically, operationally, and physically feasible and imminent.
 5. Raytheon is located approximately 75 feet from El Paso Natural Gas Company's interstate pipeline and could totally bypass Southwest.
 6. Southwest has indicated that the proposed procurement agreement is necessary to avoid such a bypass.
 7. Raytheon is currently being served under a special gas procurement agreement approved by the Commission in Decision Number 60447 (October 1, 1997).
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1 8. Southwest and Raytheon have renegotiated certain terms of the previously approved
2 special gas procurement agreement. The renegotiated procurement agreement took effect on
3 November 1, 1998, and Southwest began billing Raytheon under the renegotiated terms at that time.

4 9. Southwest has indicated that it believed it could notify Staff of changes to the
5 procurement agreement in the same manner it notifies Staff of revisions to other types of negotiated
6 contracts. During subsequent discussions, Staff informed Southwest that changes to procurement
7 agreements need to be filed for Commission approval. Southwest subsequently filed the revised
8 contract with the Commission for approval. Southwest also indicated that in the future it will seek
9 Commission pre-approval of changes to gas procurement agreements.

10 10. Staff is concerned with Southwest's failure to file for timely Commission approval of the
11 amended procurement agreement. However, given that this is the first time (along with the Bonita
12 procurement agreement, Docket No. G-01551A-98-0733) such a failure has taken place and the
13 similarity of the terms of the currently effective and the revised agreements, Staff believes that the
14 Commission should not take further action regarding Southwest's failure to file for Commission
15 approval of the revised procurement agreement at the proper time.

16 11. However, if any such failures take place in the future, Staff recommends that the
17 Commission consider taking further action to ensure the timely filing of procurement agreements for
18 Commission approval.

19 12. The specific charges for serving Raytheon were provided to Staff under a confidentiality
20 agreement. Staff has reviewed the charges included in the proposed procurement agreement and
21 believes that the revenues Southwest receives should cover its cost of serving Raytheon.

22 13. However, if conditions change in the gas market it is theoretically possible that
23 Southwest could experience a negative margin on this procurement agreement.

24 14. As required by Schedule CG-30, Southwest will credit the Purchased Gas Adjustor
25 account with all upstream pipeline capacity charges collected from Raytheon. This will benefit other
26 ratepayers.

27 15. The volume and rate portions of the proposed procurement agreement are effective
28 through the end of October, 1999.

17. Therefore, Staff has recommended approval of this filing.

18. Further, Staff has recommended that any negative margin resulting from this agreement not be recovered from other ratepayers in any future proceeding.

CONCLUSIONS OF LAW

2. The Commission has jurisdiction over Southwest and over the subject matter of the petition.

3. The Commission, having reviewed the application and Staff's Memorandum dated January 14, 1999, concludes that it is in the public interest to approve the filing.

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ORDER

THEREFORE, IT IS ORDERED that the filing be and hereby is approved.

IT IS FURTHER ORDERED that any negative margin resulting from this agreement shall not be recovered from other ratepayers in any future proceeding.

IT IS FURTHER ORDERED that this Decision shall become effective immediately.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION
COMMISSIONER - CHAIRMAN
COMMISSIONER
COMMISSIONER

IN WITNESS WHEREOF, I, STUART R. BRACKNEY, Executive Secretary of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this 29 day of January, 1999.


STUART R. BRACKNEY
Executive Secretary

DISSENT: _____

RTW:BGG:yxm/JMA